

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY

MEMORANDUM

To: Asha Shah, Director
Budget, Analysis and Financial Management

March 21, 2001

From: Rita Barker, Director
Office of Internal Audit

Subject: Review of FY 1999-00 Accounts Payable and Receivables
Assignment #2001-013

The Office of Internal Audit performed a review of FIA accounts payable at the 1999-2000 fiscal year-end. We reviewed a sample of year-end accounts payables to determine if they were properly established and had adequate supporting documentation. We also reviewed Federal accounts receivables and the accrual methodology for the Child Support Enforcement accrual.

Accounts payable at year-end 2000 totaled \$126,639,359.91. We tested 13 transactions that totaled \$103,940,589.07 or 82.1% of the total accounts payable. Federal accounts receivables totaled \$300,337,589.

We found that Federal accounts receivable were adequately supported by management records reconciling federal expenditures and cash draws. The accrual methodology used to determine the Child Support Enforcement accrual was consistent with the prior fiscal year and was approved by the Office of Financial Management. Accounts payable were generally set up properly and had adequate supporting documentation. However, we did note one account payable where the supporting documentation needs to be improved, as described below:

PT003172

In determining a payable for Disability Determination Services (DDS), a figure of \$1,889,494.49 was arrived at and then this figure was reduced by 20% (\$377,898.89) to \$1,511,595.60. This figure was then rounded off to \$1,500,000. It was explained that the 20% reduction was made because experience had shown that in prior years approximately 20% of the payable amount was for services for which the providers never billed the state. However we were informed that no documentation was maintained to support this percentage.

WE RECOMMEND that DDS maintain documentation from prior years to support any percentage increase or decrease in the year-end payable amount.

We also noted three items that would have changed the payable amount if they had been discovered sooner. We are including them in Attachment A for your information.

Attachment

cc: M. Jasonowicz
C. Ullmann
L. Dorn
C. Osga

ATTACHMENT A

PT003735

A year-end payable amount of \$24,000,000 was established for Child Support Federal Incentives Payable to Counties. However, during the period of our review, revisions of various figures used in the calculation of this payable by the Office of Child Support determined that the payable request needed to be reduced by \$1,927,249.55 to \$22,072,750.45. (As of 1/12/01 when YEC#8 Accounts Payable-1215 was run, this payable had been reduced to \$22,969,687.45 which was still \$896,937.00 greater than the final revised figure of \$22,072,750.45).

PT003736

A year-end payable amount of \$2,100,000 was established for Child Support State Incentives Payable to Counties. The original payable amount had been determined to be \$1,193,623.53. The intent had been to round this figure off and establish a payable of \$1,200,000. However, due to a transposition error the original payable request was established at \$2,100,000. When we discussed this with the OCS fiscal analyst she established a new payable amount request of \$1,200,000, a decrease of \$900,000 from the original request. (As of 1/12/01 when YEC#8 Accounts Payable-1215 was run, this payable had not yet been changed from the original figure of \$2,100,000).

PT003626

When determining the total year-end payable for Summer Project grantees, the payable for one grantee was erroneously subtracted from the total payable rather than added to it. Therefore the total payable should have totaled \$2,887,774.65 rather than \$2,791,781.57, an increase of \$95,993.08.